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CITY OF WOODCREEK, TEXAS

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2022

DRAFT

The City of
Woodcreek
IN THE MIDST OF THE TEXAS HILL COUNTRY

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The City of
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FINANCIAL SECTION

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The City of
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IN THE MIDST OF THE TEXAS HILL COUNTRY

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Woodcreek, Texas

Opinion

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Woodcreek, Texas (the "City") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City, as of September 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, general fund budgetary comparison information, and schedule of changes in net pension liability (asset) and related ratios, schedule of contributions – net pension liability (asset), schedule of changes in OPEB liability and related ratios, and schedule of contributions - OPEB liability be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

San Antonio, Texas
June 14, 2023

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

For the year ended September 30, 2022

The purpose of the Management’s Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the City of Woodcreek, Texas (the “City”) for the fiscal year ended September 30, 2022. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City’s activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the City’s financial statements, which follow this section.

Financial Highlights

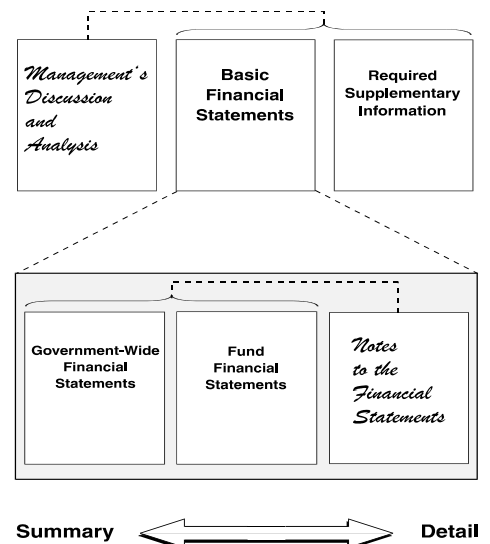
- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at September 30, 2022 by \$3,105,693 after the restatement. Of this amount \$1,604,593 (unrestricted net position), may be used to meet the City’s ongoing obligations to citizens and creditors.
- The City’s total cost of all City activities was \$677,511 for the fiscal year. The net expense after charges for services and operating grants and contributions was \$220,645.
- During the year, the City’s general fund expenditures exceeded revenue by \$135,521.
- At September 30, 2022 the City’s governmental funds reported combined ending fund balances of \$1,623,881, a net increase of \$206,354, after the restatement.
- At September 30, 2022 the unassigned fund balance for the general fund was \$1,585,058 which represents over a year and a half of general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management’s discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City’s overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City’s operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.

Figure A-1, Required Components of the City’s Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

This discussion and analysis is intended to serve as an introduction to the City of Woodcreek's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains supplementary information intended to furnish additional detail to support the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information for the City as a whole. These statements include transactions and balances relating to all assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the City's financial statements, report information on the City's activities that enable the reader to understand the financial condition of the City. These statements are prepared using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other nonfinancial factors, such as the City's property tax base need to be considered in order to assess the overall health of the City.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities present the City's financials as one class of activities:

- Governmental Activities – The City's basic services, for general government, are reported here. Property tax, sales tax, and franchise taxes finance most of these activities.

The government-wide financial statements can be found after the MD&A.

FUND FINANCIAL STATEMENTS

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance related legal reporting requirements. The one category of City funds is governmental.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains two governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The general fund is always considered a major fund for reporting purposes.

The City adopts an annual appropriated budget for its general fund and debt service fund. A budgetary comparison schedule has been provided for the general fund and debt service fund to demonstrate compliance with this budget.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are the last section of the basic financial statements.

Other Information

In addition to the basic financial statements, MD&A, and the accompanying notes, this report also presents Required Supplementary Information (RSI). The RSI includes a budgetary comparison schedule for the general fund and debt service fund, a schedule of changes in net position liability and other postemployment benefit (OPEB) liability and related ratios and a schedule of contributions for the Texas Municipal Retirement System. RSI can be found after the notes to the basic financial statements.

The other supplementary information referred to earlier in connection with the basic financial statements is presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,354,539 at year end. A portion of the City's net position, 41%, reflects its investments in capital assets (e.g. land and City Hall, etc.) less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

TABLE 1
CITY OF WOODCREEK'S NET POSITION

	<u>GOVERNMENTAL ACTIVITIES</u>	
	<u>2022</u>	<u>2021</u>
Assets:		
Current and other assets	\$ 1,684,246	\$ 1,463,974
Net pension asset	36,004	2,201
Capital assets, net	<u>1,899,107</u>	<u>1,597,823</u>
Total assets	<u>3,619,357</u>	<u>3,063,998</u>
Deferred outflows of resources:		
Deferred outflows of resources - pensions	15,329	14,777
Deferred outflows of resources - OPEB	<u>750</u>	<u>1,768</u>
Total deferred outflows of resources	<u>16,079</u>	<u>16,545</u>
Liabilities:		
Other current liabilities	267,597	242,545
Long-term liabilities	217,830	450,554
OPEB liability	<u>21,758</u>	<u>26,474</u>
Total liabilities	<u>507,185</u>	<u>719,573</u>
Deferred inflows of resources - pension	2,807	473
Deferred inflows of resources - OPEB	<u>19,751</u>	<u>5,958</u>
Total deferred inflows of resources	<u>22,558</u>	<u>6,431</u>
Net position:		
Investment in capital assets	1,462,277	953,993
Restricted	38,823	30,950
Unrestricted	<u>1,604,593</u>	<u>1,369,596</u>
Total net position	<u>\$ 3,105,693</u>	<u>\$ 2,354,539</u>

A portion of the City's net position, \$1,462,277 or 47% represents the City's current investment in capital assets. A portion of the City's net position, \$38,823, or 1%, represents amounts restricted for court security, court technology, street repair, and governmental access channels ("PEG"), and debt service. The remaining balance of net position, \$1,604,593 or 52%, is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.

Statement of Activities:

The following table provides a summary of the City's changes in net position:

TABLE 2
CITY OF WOODCREEK'S CHANGES IN NET POSITION

	GOVERNMENTAL ACTIVITIES	
	2022	2021
REVENUES:		
Program revenues:		
Charges for services	\$ 29,645	\$ 77,188
Operating grants and contributions	427,221	12,883
General revenues:		
Property taxes	574,750	554,151
Sales taxes	90,058	88,351
Franchise and local taxes	212,001	134,967
Investment income	9,339	1,259
Other revenues	14,430	26,820
Total revenues	<u>1,357,444</u>	<u>895,619</u>
EXPENSES:		
General government	667,916	665,923
Interest fees on debt	9,595	12,553
Total expenses	<u>677,511</u>	<u>678,476</u>
Change in net position	679,933	217,143
NET POSITION, BEGINNING	<u>2,354,539</u>	<u>2,137,396</u>
RESTATEMENT OF NET POSITION	<u>71,221</u>	<u>-</u>
NET POSITION, ENDING	<u>\$ 3,105,693</u>	<u>\$ 2,354,539</u>

For the year ended September 30, 2022, revenues from governmental activities totaled \$1,357,444. Overall, governmental revenues increased by 52% mainly due to the spending of the COVID-19 grant revenues.

For the year ended September 30, 2022, expenses for governmental activities totaled \$677,511, which is a decrease of \$965. This decrease is mainly due to reductions of interest expense related to the outstanding debt.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

The City reported the general fund and the debt service fund as major governmental funds. The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund was \$1,599,221, while total fund balance reached \$1,623,881. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 158% of total general fund expenditures, while total fund balance represents 159% of that same amount.

The City's governmental funds reflects a total fund balance of \$1,623,881. Of the total governmental fund balance, \$147 is restricted for street repairs; \$19 and \$26 is restricted for court security and court technology, respectively; \$13,971 is restricted for Public, Educational, and Governmental Access channels ("PEG"); \$24,660 is restricted for debt service, and the remaining balance of \$1,585,058 is unassigned.

GENERAL FUND BUDGETARY HIGHLIGHTS

For the year, the general fund had a positive budget variance of \$917,471 from the final budget. This variance was primarily due to the City spending less than budgeted for area care/maintenance and capital outlay. The City's actual revenues were more than budgeted revenues by \$28,501 with the largest variances in franchise fees, sales taxes, property taxes and investment income.

DEBT SERVICE FUND BUDGETARY HIGHLIGHTS

For the year, the debt service fund had a negative budget variance of (\$388) from the final budget. This variance was primarily due to property tax collections.

CAPITAL ASSETS

At the end of 2022, the City's governmental activities had invested \$1,899,107 in a variety of capital assets (net of accumulated depreciation). This represents a net increase of \$301,284 compared to last year.

Major capital asset events during the year included the following:

- Improvements

More detailed information about the City's capital assets is presented in note 3 to the financial statements.

LONG TERM DEBT

At the end of the current year, the City had total tax notes outstanding of \$436,830. This balance is related to the Series 2017 tax notes that the City issued at the end of the 2017 fiscal year.

More detailed information about the City's long-term debt is presented in note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The fiscal year 2022-2023 adopted appropriations for the general fund is \$691,510. The adopted appropriations for the debt service fund is \$451,793.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City of Woodcreek's finances and to show the City's accountability to its taxpayers. Questions concerning this report or requests for additional financial information should be directed to the City Manager, City of Woodcreek, 41 Champion Circle, Wimberly, Texas 78676; telephone (512) 847-9390.

BASIC FINANCIAL STATEMENTS

CITY OF WOODCREEK, TEXAS

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STATEMENT OF NET POSITION

September 30, 2022

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,553,381
Receivables (net of allowance for uncollectibles)	<u>130,865</u>
Total current assets	<u>1,684,246</u>
Noncurrent assets:	
Net pension asset	36,004
Nondepreciable capital assets	37,850
Net depreciable capital assets	<u>1,861,257</u>
Total noncurrent assets	<u>1,935,111</u>
Total assets	<u>3,619,357</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	15,329
Deferred outflows related to OPEB	<u>750</u>
Total deferred outflows of resources	<u>16,079</u>
LIABILITIES	
Current liabilities:	
Accounts payable	45,731
Accrued wages	2,866
Noncurrent liabilities:	
OPEB liability	21,758
Long-term liabilities due within one year	219,000
Long-term liabilities due in more than one year	<u>217,830</u>
Total liabilities	<u>507,185</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	19,751
Deferred inflows related to OPEB	<u>2,807</u>
Total deferred outflows of resources	<u>22,558</u>
NET POSITION	
Investment in capital assets	1,462,277
Restricted:	
Court security	19
Court technology	26
PEG funds	13,971
Street repair	147
Debt service	24,660
Unrestricted	<u>1,604,593</u>
Total net position	<u>\$ 3,105,693</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WOODCREEK, TEXAS

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STATEMENT OF ACTIVITIES

For the year ended September 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Primary government				
Governmental activities:				
General government	\$ 667,916	\$ 29,645	\$ 427,221	\$ 211,050
Interest and fiscal charges	9,595	-	-	9,595
Total governmental activities	<u>\$ 677,511</u>	<u>\$ 29,645</u>	<u>\$ 427,221</u>	<u>220,645</u>
General revenues				
Taxes:				
Property taxes				574,750
Sales tax				90,058
Franchise and local taxes				212,001
Investment income				9,339
Other revenue				<u>14,430</u>
Total general revenues				900,578
Change in net position				679,933
Net position - beginning				<u>2,354,539</u>
Restatement of net position at beginning of year				71,221
Net position at beginning of year, as restated				<u>2,425,760</u>
Net position - ending				<u>\$ 3,105,693</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WOODCREEK, TEXAS

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BALANCE SHEET – GOVERNMENTAL FUNDS

September 30, 2022

	Major Funds		Total Governmental Funds
	General Fund	Debt Service Fund	
ASSETS			
Cash and cash equivalents	\$ 1,553,381	\$ -	\$ 1,553,381
Taxes receivable, net of allowances for uncollectibles	8,394	3,374	11,768
Sales tax receivable	14,770	-	14,770
Franchise fees receivable	104,327	-	104,327
Due from general fund	<u>-</u>	<u>24,660</u>	<u>24,660</u>
Total assets	<u>\$ 1,680,872</u>	<u>\$ 28,034</u>	<u>\$ 1,708,906</u>
LIABILITIES			
Accounts payable	\$ 45,731	\$ -	\$ 45,731
Accrued wages	2,866	-	2,866
Due to debt service fund	<u>24,660</u>	<u>-</u>	<u>24,660</u>
Total liabilities	<u>73,257</u>	<u>-</u>	<u>73,257</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	<u>8,394</u>	<u>3,374</u>	<u>11,768</u>
Total deferred inflows of resources	<u>8,394</u>	<u>3,374</u>	<u>11,768</u>
FUND BALANCE			
Restricted:			
Court security	19	-	19
Court technology	26	-	26
PEG funds	13,971	-	13,971
Street repair	147	-	147
Debt service	-	24,660	24,660
Unassigned	<u>1,585,058</u>	<u>-</u>	<u>1,585,058</u>
Total fund balance	<u>1,599,221</u>	<u>24,660</u>	<u>1,623,881</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,680,872</u>	<u>\$ 28,034</u>	<u>\$ 1,708,906</u>

The accompanying notes are an integral part of these financial statements.

**RECONCILIATION OF BALANCE SHEET-
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**

September 30, 2022

Total fund balance - governmental funds balance sheet \$ 1,623,881

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental fund.

Capital assets - nondepreciable	\$ 37,850	
Capital assets - net depreciable	<u>1,861,257</u>	1,899,107

Property taxes receivable unavailable to pay current expenses are deferred in the funds.		11,768
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Net pension asset	36,004	
OPEB liability	(21,758)	
Deferred outflows - pensions	15,329	
Deferred inflows - pensions	(19,751)	
Deferred outflows - OPEB	750	
Deferred inflows - OPEB	(2,807)	
Compensated absences	-	
Noncurrent liabilities due in one year	(219,000)	
Noncurrent liabilities due in more than one year	<u>(217,830)</u>	<u>(429,063)</u>

Net position of governmental activities - statement of net position		<u>\$ 3,105,693</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF WOODCREEK, TEXAS

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STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the year ended September 30, 2022

	Major Funds		Total Governmental Funds
	General Fund	Debt Service Fund	
REVENUES			
Taxes:			
Property taxes	\$ 357,677	\$ 216,207	\$ 573,884
Sales tax	90,058	-	90,058
Franchise and local taxes	212,001	-	212,001
Grant revenue	427,221	-	427,221
Investment income	9,339	-	9,339
Charges for services	29,645	-	29,645
Other revenue	14,430	-	14,430
Total revenues	<u>1,140,371</u>	<u>216,207</u>	<u>1,356,578</u>
EXPENDITURES			
Current:			
General government	587,217	-	587,217
Capital outlay	417,633	-	417,633
Debt service:			
Principal	-	207,000	207,000
Interest and fiscal charges	-	9,595	9,595
Total expenditures	<u>1,004,850</u>	<u>216,595</u>	<u>1,221,445</u>
Net change in fund balances	135,521	(388)	135,133
Fund balance - beginning	<u>1,392,479</u>	<u>25,048</u>	<u>1,417,527</u>
Restatement of fund balance	<u>71,221</u>	<u>-</u>	<u>71,221</u>
Fund balance - beginning, as restated	<u>1,463,700</u>	<u>25,048</u>	<u>1,488,748</u>
Fund balance - ending	<u>\$ 1,599,221</u>	<u>\$ 24,660</u>	<u>\$ 1,623,881</u>

The accompanying notes are an integral part of these financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES**

For the year ended September 30, 2022

Net change in fund balances - total governmental funds \$ 135,133

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report all capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	417,633
Depreciation expense	(116,349)

Revenues that are deferred in governmental activities because they do not provide current financial resources are not deferred in the statement of activities. This is the change in deferred revenues from the prior year.

866

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Net pension expense	20,562
OPEB expense	1,364
Compensated absences	13,724

The issuance of long-term debt (e.g. bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental fund. Neither transaction, however, has any effect on net position. Also, the governmental funds report the effect of premiums, discounts, and similar items when they are first issued, whereas these amounts are deferred and amortized in the statement of activities.

Tax notes payment	<u>207,000</u>
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Change in net position of governmental activities - statement of activities \$ 679,933

The accompanying notes are an integral part of these financial statements.

DRAFT

The City of
Woodcreek
IN THE MIDST OF THE TEXAS HILL COUNTRY

NOTES TO BASIC FINANCIAL STATEMENTS

DRAFT

The City of
Woodcreek
IN THE MIDST OF THE TEXAS HILL COUNTRY

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(1) Summary of significant accounting policiesReporting entity

The City of Woodcreek, Texas (the “City”) was incorporated under the laws of the State of Texas on August 11, 1984. The City is a general law type-A city that operates under a council-mayor form of government. The City Council is the principal legislative body of the City.

The City provides the following services: street maintenance, area beautification, code enforcement, building inspection and general administrative services.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City’s financial reporting entity. No other entities have been included in the City’s reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City’s financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City’s financial reporting entity status is that of a primary government are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Description of government-wide and fund financial statements

Government-wide financial statements report information on all of the activities of the primary government. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenue.

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(1) Summary of significant accounting policies (continued)

The fund financial statements provide information about the City's funds. Separate statements for each fund category, governmental, are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The City reports the following governmental funds:

The **general fund** is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes and sales and franchise taxes. Expenditures include general governmental activity. The general fund is always considered a major fund for reporting purposes.

The **debt service fund** accounts for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded as soon as a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(1) Summary of significant accounting policies (continued)Assets, liabilities, deferred outflows and inflows of resources, and net position/fund balance

- **Cash and cash equivalents.** The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.
- **Investments.** State statutes authorize the City to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than AAA or AAA-m or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) – (d). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations.

Investments except for certain investment pools, commercial paper, money market funds, and investment contracts, are stated at fair value and categorized by using the fair value hierarchy established by generally accepted accounting principles. The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(1) Summary of significant accounting policies (continued)Assets, liabilities, deferred outflows and inflows of resources, and net position/fund balance (continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable values or reflective of future fair values. Furthermore, while the City believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest earning contracts, such as certificates of deposits, are reported at cost.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government or U.S. Government agencies
 - Fully collateralized certificates of deposit
 - Money market mutual funds that meet certain criteria
 - Bankers' acceptances
 - Statewide investment pools
- **Capital assets.** Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three (3) years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property and equipment of the City are depreciated using the straight-line method over the following estimated useful years.

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Building improvements	10 to 40 years
Machinery and equipment	3 to 7 years

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(1) Summary of significant accounting policies (continued)Assets, liabilities, deferred outflows and inflows of resources, and net position/fund balance (continued)

- **Deferred outflows/inflows of resources.** In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position and fund level balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

- **Long-term obligations.** In the government-wide financial, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

- **Net position flow assumptions.** Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted debt or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.
- **Fund balance flow assumptions.** Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.
- **Fund balance policies.** Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(1) Summary of significant accounting policies (continued)Assets, liabilities, deferred outflows and inflows of resources, and net position/fund balance (continued)

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted. The committed fund balance classification includes amounts that can be used only for specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally need to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

- **Use of estimates.** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.
- **Pension/OPEB.** For purposes of measuring the net pension liability (asset), OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, pension and OPEB expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
- **Program revenues.** Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.
- **Property taxes.** Property taxes are levied during October of each year and are due upon receipt of the City's tax bill. Taxes become delinquent, with an enforceable lien on property, on February 1 of the following year.

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(1) Summary of significant accounting policies (continued)

Assets, liabilities, deferred outflows and inflows of resources, and net position/fund balance (continued)

- Implementation of New Accounting Principle.** The City adopted the provisions of GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The City has no leases under the new accounting principle.

(2) Stewardship, compliance and accountability

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

The City Manager submits to the Council a proposed budget. The Council holds a public hearing on the budget submitted, and all interested persons are given an opportunity to be heard for or against any item or the amount of any item contained therein. After the conclusion of the public hearing, the Council may insert new items or may increase or decrease the items of the budget, except items in proposed expenditures fixed by law, but where it increases the total proposed expenditures, it also provides for an increase in the total anticipated revenue to at least equal such total proposed expenditures, it also provides for an increase in the total anticipated revenue to least equal such total proposed expenditures. The budget is adopted by a majority vote of the members of the whole Council. The budget must be adopted no later than the 15th of September. Should the Council take no final action on or prior to such day, the budget as submitted by the City Manager shall be deemed to have been finally adopted by the Council. The City Manager may, at any time, transfer any unencumbered appropriation balance or portion thereof between general classifications or expenditures within an office, department, or fund. Therefore, expenditures should not exceed appropriations at the fund level. The Council may transfer any unencumbered appropriation balance or portion thereof from one office, department, or fund to another through formal budget amendments. Unencumbered appropriations lapse at year end. An annual budget is prepared for the general fund and debt service fund.

(3) Detailed notes on all funds

Deposits and investments

As of September 30, 2022, the City had the following investments:

<u>Investment Type</u>	<u>Value</u>	<u>Weighted Average Maturity (Days)</u>
Texas CLASS	\$ <u>481,283</u>	31

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(3) Detailed notes on all funds (continued)Deposits and investments (continued)

Credit risk – The City’s policy requires that investment pools must be rated no lower than “AAA” or “AAA-m”. As of September 30, 2022, the City’s investments in Texas CLASS was rated AAA-m by Standard & Poor’s.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City’s investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of September 30, 2022, fair market values of pledged securities and FDIC coverage exceeded bank balances.

Interest rate risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The City manages its investment time horizons by averaging investment maturities and chooses to present its exposure to interest rate changes using the weighted average maturity method. In accordance with its investment policy and state law, the City manages its interest rate risk by limiting the weighted average maturity of any investment owned by the City to the maximum of one year. Eligible investment pools must have a weighted average maturity of no greater than 60 days. The City’s exposure to interest rate risk at September 30, 2022 is summarized in the preceding table as the weighted average days to maturity.

Texas CLASS

The Texas Cooperative Liquid Assets Securities System Trust – Texas (“CLASS”) is a public funds investment pool under Section 2256.016 of the Public Funds Investment Act, Texas Government Code, as amended. CLASS is created under an amended and restated trust agreement, dated as of December 14, 2011 (the “Agreement”), among certain Texas governmental entities investing in CLASS (the “Participants”), with Public Trust Advisors, LLC as program administrator and Wells Fargo Bank Texas, NA as custodian. CLASS is not SEC registered and is not subject to regulation by the State of Texas. Under the Agreement, however, CLASS is administered and supervised by a seven-member Board of Trustees (the “Board”), whose members are investment officers of the Participants, elected by the Participants for overlapping two-year terms. In the Agreement and by resolution of the Board, CLASS has contracted with Public Trust Advisors, LLC to provide for the investment and management of the public funds of CLASS. Separate financial statements for CLASS may be obtained from CLASS’ website at www.texasclass.com. The fair value of the investments in this type have been determined using the NAV per share of the investments.

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

Capital assets

A summary of changes in capital assets for governmental activities for the year ended September 30, 2022, is as follows:

	Primary Government			
	Beginning Balance	Increases	(Decreases)	Ending Balance
<u>Governmental Activities</u>				
Capital assets not being depreciated:				
Land	\$ 37,850	\$ -	\$ -	\$ 37,850
Construction in progress	62,879	421,433	(484,312)	-
Total capital assets not being depreciated	100,729	421,433	(484,312)	37,850
Capital assets being depreciated:				
Buildings and improvements	1,832,962	480,512	-	2,313,474
Machinery and equipment	57,004	-	-	57,004
Total capital assets being depreciated	1,889,966	480,512	-	2,370,478
Less accumulated depreciation:				
Buildings and improvements	(351,610)	(112,477)	-	(464,087)
Machinery and equipment	(41,262)	(3,872)	-	(45,134)
Total accumulated depreciation	(392,872)	(116,349)	-	(509,221)
Total capital assets being depreciated, net	1,497,094	364,163	-	1,861,257
Governmental activities capital assets, net	\$ 1,597,823	\$ 785,596	\$ (484,312)	\$ 1,899,107

Depreciation expense of \$116,349 was charged to the general government function.

Long-term liabilities

The following is a summary of changes in the City's total long-term liabilities for the year end. In general, the City uses the debt service fund to liquidate governmental long-term liabilities.

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Bonds payable					
Tax Note Series 2017	\$ 643,830	\$ -	\$ (207,000)	\$ 436,830	\$ 219,000
Total	\$ 643,830	\$ -	\$ (207,000)	\$ 436,830	\$ 219,000

Long-term liabilities due in more than one year \$217,830.

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(3) Detailed notes on all funds (continued)Long-term liabilities (continued)

Future maturities of the bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	219,000	5,793	224,793
2024	217,830	1,982	219,812
	<u>\$ 436,830</u>	<u>\$ 7,775</u>	<u>\$ 444,605</u>

Federal arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or not performed correctly, a substantial liability to the City could result. The City periodically engages an arbitrage consultant to perform the calculations in accordance with the rules and regulations of the IRS.

(4) Other informationRisk management

The City is exposed to various risks of loss related to torts; theft of and damage to property, and destruction of assets; errors and omissions; and natural disasters. The City contracts with the Texas Municipal League Intergovernmental Risk Pool, a public entity risk pool currently operating as a common risk management and insurance program providing insurance coverage in the following areas: general liability, automobile liability and physical damage, worker's compensation, real and personal property, and errors and omissions liability. The agreement for formation of the Texas Municipal League Intergovernmental Risk Pool provides that the pool will be self-sustaining through member premiums and will be adjusted annually through an experience modifier. The City has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts for the past three fiscal years.

Contingent liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures that may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(4) Other information (continued)Pension plan - Texas Municipal Retirement System

The City participates as one of 901 plans in the defined benefit cash-balance pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of the system with a six-member, Governor appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available annual comprehensive financial report (Annual Report) that can be obtained at www.tmr.com.

All eligible employees of the City are required to participate in TMRS.

Benefits provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the State statutes governing TMRS.

At retirement, the member's benefit is calculated based on the sum of the member's contributions, with interest, and the City-financed monetary credits with interest, and their age at retirement and other actuarial factors. The retiring members may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member's contribution and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Members are eligible to retire at age sixty (60) and above with five (5) or more years of service or with twenty (20) years of service regardless of age. A member is vested after five (5) years. The contribution rate for the employees is 7%, and the City matching percent is currently 2 to 1.

Employees covered by benefit terms

At the December 31, 2021 valuation and measurement dates, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<u>4</u>
Total	<u>7</u>

Contributions

The contribution rates for members in TMRS are either 5%, 6%, or 7% of member's total compensation, and the City matching ratios are either 1:1, 1.5:1, or 2:1, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the entry age normal (EAN) actuarial cost method.

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(4) Other information (continued)

Pension plan - Texas Municipal Retirement System (continued)

Contributions (continued)

The City’s contribution rate is based on the liability created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

The contribution rates for members in TMRS are either 5%, 6%, or 7% of member’s total compensation, and the City matching ratios are either 1:1, 1.5:1, or 2:1, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the entry age normal (EAN) actuarial cost method. The City’s contribution rate is based on the liability created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 5% of their annual compensation during the fiscal year. The contribution rates for the City were 10.41% and 7.26% in calendar years 2022 and 2021, respectively. The City’s contributions to TMRS for the year ended September 30, 2022, were \$20,633, and were \$1,579 more than the \$19,054 required contributions.

Net pension liability (asset)

The City’s net pension asset (NPA) was measured as of December 31, 2021, and the total pension liability (TPL) used to calculate the net pension asset was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total pension asset in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment rate of return*	6.75%

* presented net of pension plan investment expense, including inflation

PUB (10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(4) Other information (continued)Pension plan - Texas Municipal Retirement System (continued)

Actuarial assumptions (continued)

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 through December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for annuity purchase rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	7.55%
Core Fixed Income	6.00%	2.00%
Non-Core Fixed Income	20.00%	5.68%
Real Return	12.00%	7.22%
Real Estate	12.00%	6.85%
Absolute Return	5.00%	5.35%
Private Equity	10.00%	10.00%
Total	100.00%	

Discount rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(4) Other information (continued)

Pension plan - Texas Municipal Retirement System (continued)

Changes in net pension liability

The schedule below presents the changes in the net pension liability (asset) as of December 31, 2021:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at December 31, 2020	\$ 179,304	\$ 181,505	\$ (2,201)
Changes for the year:			
Service cost	33,438	-	33,438
Interest	12,689	-	12,689
Change of benefit terms	-	-	-
Difference between expected and actual experience	(22,476)	-	(22,476)
Change of assumptions	-	-	-
Contributions - employer	-	20,270	(20,270)
Contributions - employee	-	13,924	(13,924)
Net investment income	-	23,368	(23,368)
Benefit payments, including refunds of employee contributions	(16,075)	(16,075)	-
Administrative expenses	-	(109)	109
Other changes	-	1	(1)
Net changes	<u>7,576</u>	<u>41,379</u>	<u>(33,803)</u>
Balance at December 31, 2021	<u>\$ 186,880</u>	<u>\$ 222,884</u>	<u>\$ (36,004)</u>

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75% as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.75%) or 1-percentage point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability (asset)	<u>\$ (19,605)</u>	<u>\$ (36,004)</u>	<u>\$ (50,324)</u>

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmr.com.

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(4) Other information (continued)

Pension plan - Texas Municipal Retirement System (continued)

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the fiscal year ended September 30, 2022, the City recognized pension expense of \$259.

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual economic experience	\$ -	\$ 8,340
Difference between projected and actual investment earnings	-	11,411
Contributions made subsequent to the measurement date	<u>15,330</u>	<u>-</u>
Total	<u>\$ 15,330</u>	<u>\$ 19,751</u>

The City reported \$15,330 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) for the fiscal year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ended</u>	
2023	\$ (10,515)
2024	(4,566)
2025	(2,449)
2026	(2,221)
2027	-
Thereafter	<u>-</u>
Total	<u>\$ (19,751)</u>

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(4) Other information (continued)

Other postemployment benefits (OPEB) plan

Plan description

The City participates in a single-employer defined benefit plan, which operates like a group-term life insurance plan, operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Benefits payments

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees’ entire careers.

The contribution rate for the City was 0.50% and 0.36% for calendar years 2022 and 2021, respectively. The City’s contributions to TMRS for the year ended September 30, 2022 was \$906 and was equal to the required contributions.

Employees covered by benefit terms

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<u>4</u>
Total	<u><u>7</u></u>

OPEB liability

The City’s OPEB liability of \$21,758 was measured as of December 31, 2021, and was determined by an actuarial valuation as of that date.

CITY OF WOODCREEK, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(4) Other information (continued)

Other postemployment benefits (OPEB) plan (continued)

Actuarial assumptions:

The OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Methods and assumptions used to determine contribution rates:

Inflation	2.5%
Salary increases	3.5% to 11.5% including inflation
Discount rate*	1.84%
Retirees share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment of younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

* The discount rate was based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 2021.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

CITY OF WOODCREEK, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(4) Other information (continued)

Other postemployment benefits (OPEB) plan (continued)

Changes in the OPEB liability:

	2021
OPEB liability:	
Service cost	\$ 1,989
Interest on the OPEB liability	546
Changes in benefit terms	
Difference between expected and actual experience	(7,565)
Change of assumptions	612
Benefit payments	(298)
Net change in OPEB liability	(4,716)
OPEB liability - beginning	26,474
OPEB liability - ending	\$ 21,758

Sensitivity of the total OPEB liability to changes in the discount rate:

The following presents the total OPEB liability of the City, calculated using the discount rate of 1.84%, as well as what the City’s total OPEB liabilities would be if it were calculated using a discount rate that is 1-percentage-point lower (0.84%) or 1-percentage-point higher (2.84%) than the current rate:

	1% Decrease in Discount Rate 0.84%	Discount Rate 1.84%	1% Increase in Discount Rate 2.84%
City's OPEB liability	\$ 26,331	\$ 21,758	\$ 18,199

CITY OF WOODCREEK, TEXAS
NOTES TO FINANCIAL STATEMENTS

DRAFT

September 30, 2022

(4) Other information (continued)

Other postemployment benefits (OPEB) plan (continued)

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended September 30, 2022, the City recognized OPEB gain of (\$1,065).

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,807
Changes in actuarial assumptions	227	-
Contributions made subsequent to the measurement date	523	-
Total	\$ 750	\$ 2,807

The City reported \$523 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Year Ended September 30,
2023	\$ (2,580)
Total	\$ (2,580)

(5) Restatement of fund balance and net position

The City increased the beginning net position and fund balance in the general fund by \$71,221. The increase was for franchise fees owed to the City that was not accrued as of September 30, 2021. The net position and fund balance of the general fund as of September 30, 2021 was restated to \$2,425,760 and \$1,488,748, respectively.

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The City of
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IN THE MIDST OF THE TEXAS HILL COUNTRY

REQUIRED SUPPLEMENTARY INFORMATION

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The City of
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REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL
GENERAL FUND

For the year ended September 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 349,000	\$ 349,000	\$ 357,677	\$ 8,677
Sales tax	80,000	80,000	90,058	10,058
Franchise and other taxes	194,700	197,200	212,001	14,801
Charges for services	51,760	46,510	29,645	(16,865)
Investment income	1,300	1,000	9,339	8,339
Grant revenue	430,200	431,380	427,221	(4,159)
Other revenue	8,780	6,780	14,430	7,650
Total revenues	<u>1,115,740</u>	<u>1,111,870</u>	<u>1,140,371</u>	<u>28,501</u>
Expenditures				
Current:				
General government:				
Personnel services	262,200	262,200	238,772	23,428
Professional services	171,000	179,160	173,477	5,683
Area care / maintenance	221,150	221,150	49,928	171,222
Office expenses	56,100	61,100	37,503	23,597
Municipal court	9,550	10,050	2,322	7,728
Utilities	13,950	13,950	11,644	2,306
Insurance	4,500	4,600	4,792	(192)
Other operating expense	62,210	66,410	68,779	(2,369)
Contingency reserve	50,000	50,000	-	50,000
Capital outlay	<u>1,025,200</u>	<u>1,025,200</u>	<u>417,633</u>	<u>607,567</u>
Total expenditures	<u>1,875,860</u>	<u>1,893,820</u>	<u>1,004,850</u>	<u>888,970</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(760,120)</u>	<u>(781,950)</u>	<u>135,521</u>	<u>917,471</u>
Net change in fund balance	(760,120)	(781,950)	135,521	917,471
Fund balance, beginning	<u>1,392,479</u>	<u>1,392,479</u>	<u>1,392,479</u>	<u>-</u>
Restatement of fund balance	<u>-</u>	<u>-</u>	<u>71,221</u>	<u>-</u>

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)
AND RELATED RATIOS – TEXAS MUNICIPAL RETIREMENT SYSTEM**

For the measurement year ended December 31,

***Last 10 years**

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability								
Service cost	\$ 33,438	\$ 29,618	\$ 19,555	\$ 19,253	\$ 12,114	\$ 9,829	\$ 7,223	\$ 5,994
Interest (on the total pension liability)	12,689	11,014	9,357	8,094	7,149	6,268	6,100	5,516
Change in benefit terms	-	1,174	-	-	765	-	-	-
Difference between expected and actual experience	(22,476)	(5,036)	(3,762)	1,175	1,124	1,117	(4,509)	2,304
Change of assumptions	-	-	892	-	-	-	1,661	-
Benefit payments, including refunds of employee contributions	<u>(16,075)</u>	<u>(9,316)</u>	<u>(6,065)</u>	<u>(13,855)</u>	<u>(6,065)</u>	<u>(6,065)</u>	<u>(6,065)</u>	<u>(6,104)</u>
Net change in total pension liability	7,576	27,454	19,977	14,667	15,087	11,149	4,410	7,710
Total pension liability - beginning	<u>179,304</u>	<u>151,850</u>	<u>131,873</u>	<u>117,206</u>	<u>102,119</u>	<u>90,970</u>	<u>86,560</u>	<u>78,850</u>
Total pension liability - ending (a)	<u>\$ 186,880</u>	<u>\$ 179,304</u>	<u>\$ 151,850</u>	<u>\$ 131,873</u>	<u>\$ 117,206</u>	<u>\$ 102,119</u>	<u>\$ 90,970</u>	<u>\$ 86,560</u>
Plan fiduciary net position								
Contributions - employer	\$ 20,270	\$ 14,140	\$ 11,819	\$ 11,470	\$ 3,920	\$ 3,561	\$ 2,665	\$ 1,547
Contributions - employee	13,924	8,804	7,705	7,586	7,076	6,097	4,486	4,225
Net investment income	23,368	11,670	18,952	(3,674)	14,329	6,320	136	5,019
Benefit payments, including refunds of employee contributions	(16,075)	(9,316)	(6,065)	(13,855)	(6,065)	(6,065)	(6,065)	(6,104)
Administrative expense	(109)	(77)	(108)	(71)	(74)	(71)	(83)	(52)
Other	<u>1</u>	<u>(3)</u>	<u>(3)</u>	<u>(4)</u>	<u>(4)</u>	<u>(4)</u>	<u>(4)</u>	<u>(4)</u>
Net change in plan fiduciary net position	41,379	25,218	32,300	1,452	19,182	9,838	1,135	4,631
Plan fiduciary net position - beginning	<u>181,505</u>	<u>156,287</u>	<u>123,987</u>	<u>122,535</u>	<u>103,353</u>	<u>93,515</u>	<u>92,380</u>	<u>87,749</u>
Plan fiduciary net position - ending (b)	<u>\$ 222,884</u>	<u>\$ 181,505</u>	<u>\$ 156,287</u>	<u>\$ 123,987</u>	<u>\$ 122,535</u>	<u>\$ 103,353</u>	<u>\$ 93,515</u>	<u>\$ 92,380</u>
Net pension liability (asset) (a) - (b)	<u>\$ (36,004)</u>	<u>\$ (2,201)</u>	<u>\$ (4,437)</u>	<u>\$ 7,886</u>	<u>\$ (5,329)</u>	<u>\$ (1,234)</u>	<u>\$ (2,545)</u>	<u>\$ (5,820)</u>
Plan fiduciary net position as a percentage of total pension liability	119.27%	101.23%	102.92%	94.02%	104.55%	101.21%	102.80%	106.72%
Covered payroll	<u>\$ 198,919</u>	<u>\$ 176,089</u>	<u>\$ 154,099</u>	<u>\$ 151,715</u>	<u>\$ 141,523</u>	<u>\$ 121,945</u>	<u>\$ 89,729</u>	<u>\$ 84,492</u>
Net pension liability (asset) as a percentage of total covered payroll	<u>-18.10%</u>	<u>-1.25%</u>	<u>-2.88%</u>	<u>5.20%</u>	<u>-3.77%</u>	<u>-1.01%</u>	<u>-2.84%</u>	<u>-6.89%</u>

*GASB 68 requires 10 fiscal years of data to be provided in this schedule. This is the eighth year of implementation of GASB 68. The City will develop the schedule prospectively.

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - PENSION
TEXAS MUNICIPAL RETIREMENT SYSTEM**

For the year ended September 30,

***Last 10 fiscal years**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contributions	\$ 19,054	\$ 15,005	\$ 13,130	\$ 10,277	\$ 4,777	\$ 3,931	\$ 3,200	\$ 2,665
Contributions in relation to the actuarially determined contribution	<u>20,633</u>	<u>19,255</u>	<u>13,382</u>	<u>11,925</u>	<u>9,471</u>	<u>3,931</u>	<u>3,200</u>	<u>2,665</u>
Contribution deficiency (excess)	<u>\$ (1,579)</u>	<u>\$ (4,250)</u>	<u>\$ (252)</u>	<u>\$ (1,648)</u>	<u>\$ (4,694)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 199,205</u>	<u>\$ 190,271</u>	<u>\$ 168,327</u>	<u>\$ 156,039</u>	<u>\$ 147,742</u>	<u>\$ 140,063</u>	<u>\$ 109,241</u>	<u>\$ 89,729</u>
Contributions as a percentage of covered payroll	<u>10.36%</u>	<u>10.12%</u>	<u>7.95%</u>	<u>7.64%</u>	<u>6.41%</u>	<u>2.81%</u>	<u>2.93%</u>	<u>2.97%</u>

*GASB 68 requires 10 fiscal years of data to be provided in this schedule. This is the eighth year of implementation of GASB 68. The City will develop the schedule prospectively

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN OTHER POSTEMPLOYMENT BENEFITS LIABILITY
(OPEB) AND RELATED RATIOS - TEXAS MUNICIPAL RETIREMENT SYSTEM

For the measurement year ended December 31,

***Last 10 years**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
OPEB liability:					
Service cost	\$ 1,989	\$ 1,655	\$ 1,464	\$ 1,547	\$ 1,316
Interest on the OPEB liability	546	636	683	619	582
Changes in benefit terms				-	-
Difference between expected and actual experience	(7,565)	(1,179)	(849)	(1,133)	-
Change of assumptions	612	3,106	3,408	(1,202)	1,358
Benefit payments	<u>(298)</u>	<u>(88)</u>	<u>(77)</u>	<u>(76)</u>	<u>(85)</u>
Net change in OPEB liability	<u>(4,716)</u>	<u>4,130</u>	<u>4,629</u>	<u>(245)</u>	<u>3,171</u>
OPEB liability - beginning	<u>26,474</u>	<u>22,344</u>	<u>17,715</u>	<u>17,960</u>	<u>14,789</u>
OPEB liability - ending	<u>\$ 21,758</u>	<u>\$ 26,474</u>	<u>\$ 22,344</u>	<u>\$ 17,715</u>	<u>\$ 17,960</u>
Covered-employee payroll	<u>\$ 198,919</u>	<u>\$ 176,089</u>	<u>\$ 154,099</u>	<u>\$ 151,715</u>	<u>\$ 141,523</u>
OPEB liability as a percentage of covered payroll	<u>10.94%</u>	<u>15.03%</u>	<u>14.50%</u>	<u>11.68%</u>	<u>12.69%</u>

*GASB 75 requires 10 fiscal years of data to be provided in this schedule. This is the fifth year of implementation of GASB 75. The City will develop the schedule prospectively.

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEXAS MUNICIPAL RETIREMENT SYSTEM**

For the year ended September 30,

***Last 10 fiscal years**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contributions	\$ 906	\$ 843	\$ 1,180	\$ 1,034	\$ 772
Contributions in relation to the actuarially determined contribution	<u>906</u>	<u>843</u>	<u>1,180</u>	<u>1,034</u>	<u>772</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 199,205</u>	<u>\$ 190,271</u>	<u>\$ 168,327</u>	<u>\$ 156,039</u>	<u>\$ 147,742</u>
Contributions as a percentage of covered payroll	<u>0.45%</u>	<u>0.44%</u>	<u>0.70%</u>	<u>0.66%</u>	<u>0.52%</u>

*GASB 75 requires 10 fiscal years of data to be provided in this schedule. This is the fifth year of implementation of GASB 75. The City will develop the schedule prospectively.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2022

(1) Budget information

The budget for the general fund and debt service fund are adopted on a basis consistent with generally accepted accounting principles. Annual appropriations lapse at fiscal year end.

The original budget for the general fund and debt service fund are adopted by the City Council by September 30. Budgetary preparation and control is exercised at the department level. Both the original and final budget is included.

(2) Schedule of contributions – net pension liability (asset)

Valuation date:

Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	23 years
Asset valuation method	10 year smoothed market, 15% soft corridor
Inflation	2.5%
Salary increases	3.5% to 11.5% including inflation
Investment rate of return	6.75%
Retirement Age	
	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB (10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other information:

There were no benefit changes during the year.

OTHER SUPPLEMENTARY INFORMATION

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The City of
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IN THE MIDST OF THE TEXAS HILL COUNTRY

**OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL
DEBT SERVICE FUND**

For the year ended September 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 216,595	\$ 216,595	\$ 216,207	\$ (388)
Total revenues	<u>216,595</u>	<u>216,595</u>	<u>216,207</u>	<u>(388)</u>
Expenditures				
Principal	207,000	207,000	207,000	-
Interest	<u>9,595</u>	<u>9,595</u>	<u>9,595</u>	<u>-</u>
Total expenses	<u>216,595</u>	<u>216,595</u>	<u>216,595</u>	<u>-</u>
Net change in fund balance	-	-	(388)	(388)
Fund balance, beginning	<u>25,048</u>	<u>25,048</u>	<u>25,048</u>	<u>-</u>
Fund balance, ending	<u>\$ 25,048</u>	<u>\$ 25,048</u>	<u>\$ 24,660</u>	<u>\$ (388)</u>